

Message Text

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64

ACTION ARA-10

INFO OCT-01 IO-13 ISO-00 SP-02 USIA-15 AID-05 EB-07 NSC-05

CIEP-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06 LAB-04

SIL-01 L-03 H-02 PA-02 PRS-01 AGRE-00 /112 W

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R 051427Z OCT 76

FM AMEMBASSY BOGOTA

TO SECSTATE WASHDC 7740

INFO USDEL MTN GENEVA

UNCLAS BOGOTA 10141

E.O. 11652: N/A

TAGS: ETRD, CO

SUBJ: EXPORT SUBSIDY RENEWED

REF: BOG-9522

1. THE GOC RENEWED AND EXPANDED THE CAT (TAX REBATE CERTIFICATE) EXPORT SUBSIDY LAST WEEK. DURING THE ECONOMIC EMERGENCY IN AUGUST 1974, THE PRESENT ADMINISTRATION REDUCED THE 15 P/C CAT WHICH HAS AVAILABLE FOR MOST EXPORTS TO A 7 P/C SUBSIDY ON A FAR MORE LIMITED LIST OF ITEMS AND TO ONE TENTH OF ONE PERCENT ON EVERYTHING ELSE EXCEPT PETROLEUM, LEATHER AND COFFEE. LAST WEEK, THE CAT WAS RENEWED FOR 1977 AND REARRANGED. EXPORTS OF MOST MANUFACTURES, INCLUDING TEXTILES AND GARMENTS, WILL NOW RECEIVE CATS WORTH 8 P/C OF THE VALUE OF NATIONALIZED EXPORT EARNINGS. MEAT, FISH, VEGETABLES AND A FEW OTHER ITEMS WILL RECEIVE 5 P/C CATS. EVERYTHING ELSE, INCLUDING FLOWERS, COTTON AND TOBACCO BUT EXCEPTING RAW LEATHER AND COFFEE, WILL RECEIVE CATS WORTH ONE TENTH OF ONE PERCENT. PREVIOUSLY, TWO PERCENT OF THE CAT WAS EARMARKED FOR THE STATE EXPORT PROMOTION AGENCY, PROEXPO. SINCE THIS PROVISION HAS BEEN ELIMINATED THE INCREASE FROM 7 TO 8 P/C REPRESENTS A 3 P/C INCREASE FOR EXPORTS, UNCLASSIFIED

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AND THE REDUCTION ON SOME PRODUCTS FROM 7 P/C TO 5 P/C

REPRESENTS NO CHANGE FOR THE EXPORTER OF THESE PRODUCTS.
THE EXPORT SUBSIDY WAS INCREASED AND RENEWED BECAUSE HIGH
COFFEE PRICES AND INFLATION HAVE MADE IT DESIREABLE TO
REDUCE THE PACE OF DEVALUATION WITHOUT PREJUDICING MINOR EXPORTS.
THE CAT WILL HAVE THE ADDED BENEFIT OF OFFERING MANUFACTURERS
A STIMULUS THAT MAY HELP RESTORE BUSINESS CONFIDENCE WHERE,
IN SPITE OF ECONOMIC RECOVERY, IT SEEMS TO BE SAGGING.

2. THE FISCAL DRAIN CAUSED BY THE CAT WAS ONE THE MAJOR
CONCERNS LEADING TO THE CATS'S REDUCTION IN 1974. UNDER
THE PRESENT CHANGES THERE WILL BE ONLY A MODEST NET
FISCAL IMPACT. THE ELIMINATION OF EXISTING 7P/C
SUBSIDIES ON OVER 20 P/C OF THE VALUE OF MINOR EXPORTS
IS ROUGHLY EQUAL TO THE 3 P/C INCREASE ON ABOUT HALF OF
THE VALUE OF MINOR EXPORTS. MOREOVER, A SLOWER DEVALUA-
TION RATE WILL EASE THE PESO IMPACT ON THE TREASURY
OF REPAYMENTS OF OFFICIAL EXTERNAL DEBT.

3. INFORMAL TRANSLATION OF DECREE AMENDING THE CAT
WILL BE SUBMITTED BY AIRGRAM
SANCHEZ

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NNN

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